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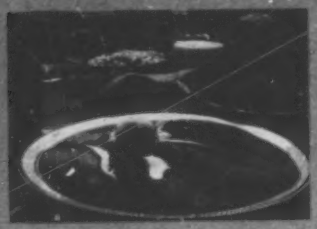

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■ OPERATOR OUTLOOK

Survey: Operators May Absorb Expected Increases in Food Costs

Surprisingly, only 35% plan to raise menu prices in the near future.

More than 90% of operators polled by *R&I* at the end of the summer expected food costs to increase within the next three months, but only 35% planned to raise menu prices during the same period.

Why the discrepancy? Operators seem to be heeding the advice of industry analysts who say consumers will not stand for price increases in these uncertain economic times—even if they are based on higher food costs. Ron Paul of Technomics says that operating costs should have nothing to do with menu pricing right now. He recommends that operators base pricing on competition, especially in midscale and upscale restaurants.

In the wake of this summer's drought, 95% of institutional operators expected food costs to increase, compared to 90% on the commercial side. Full-service operators expressed the most optimism, expecting only modest cost increases.

The average food-cost increase, according to survey results, is expected to be 5.48% (5.82% commercial versus 4.99% institutional). Surprising, however, was a response by almost 30% of commercial operators who were expecting increases of 9% or more, much higher than recent U.S. Agriculture Department predictions after its latest assessment of crop losses. Only 13.2% of institutional operators expected at least a 9% increase.

Respondents also were asked how much they thought the price of individual commodities would increase over the next three months. More than 70% expected fruit and vegetable prices to increase by more than 5% and 55% said poultry prices will go up at least 5%.

On the bright side, more than 40% of operators surveyed expected meat and seafood prices to increase less than 5% within the next three months.

Of the 35% of operators who said they would or might increase menu prices, the average increase was planned at 6.19% (6.62% commercial versus 5.5% institutional). On the commercial side, 45% said they planned to increase prices 7% or more and another 45% planned increases between 3% and 6%.

Among institutional operators, 23% were planning increases of more than 9%, while almost 70% said they would boost prices between 3% and 6%.

At the Western Restaurant Show, National Restaurant Association President Jim Peterson predicted drought-related food cost increases to be reflected in menu price increases of 3% to 5% during the period from late 1988 through 1989.

The 100 respondents were also asked if they thought the minimum wage would increase next year; 66% answered yes, 28% no and 6% did not know. Institutional operators (72.5%) were more confident in an increase next year. —*J.W.*

OPERATOR OUTLOOK: FOOD COSTS AND MENU PRICES

One hundred telephone interviews conducted between Aug. 10 and Aug. 19 showed that foodservice operators were expecting a 5.48% increase in food costs. Of the 35% that plan to raise menu prices within the next three months, the average increase is 6.19%

3-4	27.8	23.7	26.1	27.3	30.8	28.6
7-9	7.4	7.9	7.6	4.5	0	2.9
11 or more	9.3	7.9	8.7	4.5	0	2.9

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Terrence McDermott, President; David S. Wexler, Vice President Foodservice Group; Thomas J. Dellamaria, Vice President Production and Manufacturing.

BUSINESS STAFF

Barry H. Reese, Publisher; Jane Young Wallace, Associate Publisher; Steven D. Mayer, Director of Marketing; Catherine Erickson, Associate Director of Marketing; Kate Jerney, Assistant to Sales/ Marketing Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

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